

## APPENDIX 2: Porter's Five Forces Analysis

### • **Threat of new entrants - LOW**

#### Factors increasing the threat of new entrants:

- low switching costs (for customers to switch to another mode of transport)
- growing size of the market (Sydney population is growing and environmental consciousness is increasing)
- increasing petrol prices (therefore commuters switch to trains)
- focus on sustainable and environmentally friendly modes of transport
- many potential customers

#### Factors decreasing the threat of new entrants:

- government regulations and policies
- high entry costs
- RailCorp owns railways, therefore there is only a threat of new indirect competitors

### • **Rivalry amongst competitors - LOW**

#### Factors increasing the rivalry amongst competitors:

- high exit costs and low switching costs (for customers to switch to a competitor)

#### Factors decreasing the rivalry amongst competitors:

- no direct competitor - monopoly
- only indirect competitors with relatively high level of differentiation (different benefits and modes of transport): buses, ferries, monorail, trams, taxis (City of Sydney, 2008)
- ferries, monorail and trams have only a limited geographical area of operation and other competitors are limited by road traffic

### • **Substitute products – LOW/HIGH**

#### Factors increasing the threat of substitute products:

- many substitutes available: cars (including hired cars, private cars, leased cars, borrowed cars, car-sharing companies), bicycles, scooters and motorbikes, walking, roller-skates, etc.
- no switching costs (however with most substitutes significant acquiring and running costs – cars, etc)

- buyers view the substitutes based on motorised form of transport (private, bikes) as extremely satisfactory in terms of quality, comfort and convenience

Factors decreasing the threat of substitute products:

- most substitute products (except for walking, bicycles, roller-skates) are usually more expensive and more harmful to the environment
- self-propelled form of transport suitable only for short distances and inconvenient

• **Bargaining power of consumers - LOW**

Factors increasing the bargaining power of consumers:

- there are other modes of transport

Factors decreasing the bargaining power of consumers:

- CityRail has a monopoly in railway transport in the Sydney metropolitan area
- for longer distances trains are the most convenient and cheapest mode of travelling
- large number of customers purchasing in small quantities

• **Bargaining power of suppliers - HIGH**

Factors increasing the bargaining power of suppliers:

- only few suppliers in most categories (ticketing, trains, other equipment)
- the quality of some of the products supplied can impact the quality of the services offered by CityRail
- relatively high switching costs for most supplies (contracts with suppliers involving maintenance, servicing, supplying of spare parts for trains, computers, CCTV systems, ticket-takers, elevators, escalators, rails and other infrastructure, etc.)

Factors decreasing the bargaining power of suppliers:

- low switching costs of some supplies (LCD televisions for timetables etc.)

### **Industry Lifecycle**

Railway public transport has been developing for the last 200 years and as new emergent technologies suggest, this trend is likely to continue in the foreseeable future. There are several factors

supporting such claims including the environmental friendliness of electric trains, independence of traffic conditions in constantly increasing congestions in cities, safety of trains and new technologies enabling reaching greater speeds, increasing efficiency (reducing consumption) or improving comfort. Even today there are many trains that do not require a human driver, others can reach speeds exceeding 500 km/h and some are equipped with wireless internet. The world's population is growing exponentially and cities are geographically expanding which means that number of commuters and length of travel distance is constantly increasing (Potter, 2007). Also trains that do not run on fossil fuels are one of very few sustainable transport options (Moshe, 2007) and part of the solution to tackle global warming (Black & Noriyuki, 2007).

According to the 2006 Household Travel Survey Summary Report (Ministry of Transport, 2008) trains as a mode of transport are being used for more trips than in previous years. In 1999 771 000 trips were made by train while in 2006 it was 815 000. Even though the increase is not so significant, especially when considered the growing population of Sydney, the industry is still considered to be in the growth stage, as there are no direct competitors, and because the growth of public transport needs to be in line with growth of towns and their population (Potter, 2007).

